OFFICE OF THE DEPUTY CHIEF MANAGEMENT OFFICER

MANAGERS' INTERNAL CONTROL (MIC) PROGRAM

HANDBOOK

Table of Contents

References

a) Public Law 97-255, Federal Managers' Financial Integrity Act, September 8, 1982

b) OMB Circular A-123 (revised), Management Accountability and Control, June 21, 1995

c) OMB Circular A-127 (revised), Financial Management Systems, July 23, 1993

d) DoD Instruction 5010.40, Management Control (MC) Program Procedures, January 4, 2006

e) Chief Financial Officer's Act of 1990

f) Federal Financial Management Improvement Act of 1996

g) Government Performance and Results Act of 1993

h) GAO Standards for Internal Control in the Federal Government, November 1999

Acronyms

See Appendix A for definitions for these and other acronyms.

Acronym	Description
ADCMO	Assistant Deputy Chief Management Officer
AIS	Automated Information System
AMCR	Alternative Management Control Review
AU	Assessable Unit
AUM	Assessable Unit Manager
CAR	Corrective Action Review
CAV	Command Assistance Visit
DCMO	Deputy Chief Management Officer
DFAS	Defense Finance and Accounting Service
DoD	Department of Defense
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
GAO	Government Accountability Office
IMCR	Internal Management Control Review
IT	Information Technology
MC	Management Control
MCP	Management Control Program
MCR	Management Control Review
MIC	Managers' Internal Control
ODCMO	Office of the Deputy Chief Management Officer
OMB	Office of Management and Budget
OP	Operating Procedure
OSD	Office of the Secretary of Defense
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
RA	Risk Assessment
SOA	Statement of Assurance

Chapter 1 Introduction

Purpose of This Handbook

This handbook provides an overview of the Office of the Deputy Chief Management Officer's (ODCMO) Managers' Internal Control (MIC) Program, which supports the Federal Managers' Financial Integrity Act (FMFIA) process. It is designed to help you understand your responsibilities for implementing, maintaining and reporting on management controls (MCs). MCs are programs, policies and procedures established to ensure:

- Mission and program objectives are efficiently and effectively established.

- Programs and resources are protected from fraud, waste and abuse.

- Laws and regulations are followed.

- Financial reporting is reliable.

- Reliable information is obtained and used for decision-making.

All MIC Program participants will have access to this handbook on the ODCMO Web site (dcmo.defense.gov).

Understanding Management Controls

At all levels of government there is an increasing demand for accountability. Effective MCs are the essence of management accountability and, properly executed, assist management in discharging its responsibilities to reasonably assure:

- Use of resources is consistent with ODCMO's mission.

- Programs and resources are protected from fraud, waste and mismanagement.

- Laws and regulations are followed.

- Reliable/timely information is obtained, maintained, reported and used for decision making.

What are MCs?

- The **methods by which an organization governs its activities** to accomplish its designed purpose.

- The first line of defense against fraud, waste, abuse and mismanagement.

Effective MCs will help each of you perform your daily duties in support of ODCMO's mission.

- A series of actions and activities that **occur throughout an assessable unit's daily operations.**

- Recognized as an **integral part of each system management uses** to regulate its operations.

- The processes **implemented by management**, and other personnel, that are designed **to provide reasonable**, not absolutely certain, **assurance control objectives are achieved.**

MCs Consist of:

- **Control Objectives** (Plans and Policies). These are the positive things Agency managers want to have happen or the negative things managers want to prevent from happening. All control objectives support the mission of the activity.

- **Control Techniques.** Procedures managers use to provide reasonable assurance that their control objectives are met. All control techniques support their corresponding Control Objective.

Normally, the underlying cause of a deficiency or unsatisfactory performance can be attributed to:

- o Lack of a control technique.

- o An inappropriate control technique.

- o Failure to implement an appropriate control technique.

- o Management overriding a control technique.

> **Remember!**
> **The number of controls is not important…it's the quality of the control that matters. Get rid of controls that do not support your Control Objectives.**

Risk vs. Vulnerability

- **Risk:** The probable or potential adverse effects from inadequate MCs that may result in loss of Government resources or cause an Agency to fail to accomplish significant mission objectives through fraud, error or mismanagement.

- **Vulnerability:** While inherent risks remain constant, management's vulnerability to fraud, waste and mismanagement increases as MC effectiveness decreases.

- **Risk has no tie to management capability:** When managers determine a high or medium level risk exists, they are only acknowledging an in-depth diagnosis is required to determine whether adverse or unsatisfactory conditions really exist.

Three most important questions related to Risks**:**

- Have I identified my risks?

- Do my controls cover my risks?

- Are my controls working?

Annual Evaluation Process

- The annual evaluation process consists of three inter-related activities: self-inspection programs, oversight systems and the process of identifying and conducting mandatory reviews.

- Based on the results of these activities, each Agency head (the Deputy Chief Management Officer in our case) must determine if he or she has reasonable assurance the objectives of MCs were met during the year and provide the Director of Administration and Management with an Annual Statement of Assurance (SOA) (Appendix B).

ODCMO's MIC Program Goals and Objectives

Goal	Objective(s)
Provide management oversight of resources, to ensure maximum return on investment, while protecting against fraud, waste and mismanagement.	• The MIC Program Coordinator and Administrator will conduct assistance visits as a tool to identify areas of improvement and efficiencies. • Conduct Management Control Reviews (MCR) and Risk Assessments (RAs).
Model ODCMO's management philosophy to incorporate a performance/results-based and business-like style.	• Ensure 100% of ODCMO employees receive annual training on the MIC Program. • Make the MIC Program part of the ODCMO "Welcome Aboard" material. • Ensure ODCMO is a good role model for proper implementation of the MIC Program. • Ensure corrective actions are completed.
Streamline all internal processes to increase efficiency of information collection, production and dissemination with emphasis on automated solutions.	• Update, expand, improve and maintain the MIC Program Handbook. • Develop checklists (accessible to all managers) to be used for reviews and training purposes. • Automate the MIC Program wherever possible.
Promote professional development by assisting managers/supervisors to provide opportunities to increase employee knowledge, skills, and abilities.	• Develop an internal MIC Program baseline and refresher training.

MC Standards

FMFIA required the Government Accountability Office (GAO) to issue standards for internal control in government. These standards apply to all aspects of an organization's operations and provide criteria against which all control systems must be evaluated on annually.

The Office of Management and Budget's (OMB) Circular A-123 (revised)[1], "Management Accountability and Control," provides guidelines for how organizations should accomplish the evaluation of MCs.

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[1] http://www.whitehouse.gov/omb/rewrite/circulars/a123/a123.html
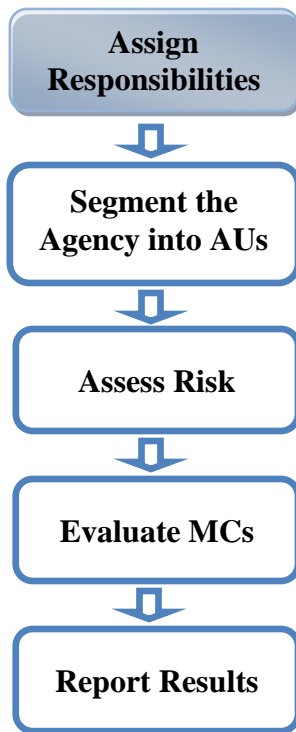
General MC Standards

- **Compliance with Law**. All program operations, obligations and costs must comply with applicable laws and regulations. Resources should be efficiently and effectively allocated for duly authorized purposes.

- **Reasonable Assurance and Safeguards**. MCs must provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use and misappropriation. MCs developed for Agency programs should be logical, applicable, reasonably complete, effective and efficient in accomplishing management objectives.

> **Note: Other policy documents may describe additional standards for a particular function or program activity.**

- **Integrity, Competence and Attitude**. Managers and employees must have personal integrity and are obligated to support the ethics programs in their agencies. Effective communication within and between offices should be encouraged.

Specific MC Standards

- **Delegation of Authority and Organization.** Managers should ensure that appropriate authority, responsibility and accountability are defined and delegated to accomplish the mission of the organization, and that an appropriate organizational structure is established to effectively carry out program responsibilities.

- **Separation of Duties and Supervision.** Key duties and responsibilities in authorizing, processing, recording and reviewing official Agency transactions should be separated among individuals. Managers should exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities.

- **Access to and Accountability for Resources.** Access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources should be assigned and maintained.

- **Recording and Documentation.** Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, MCs and other significant events must be clear and readily available for examination.

- **Resolution of Audit Findings and Other Deficiencies.** Managers should promptly evaluate and determine proper actions in response to known deficiencies, reported audit and other findings and related recommendations. Managers should complete, within established timeframes, all actions that correct or otherwise resolve matters brought to management's attention.
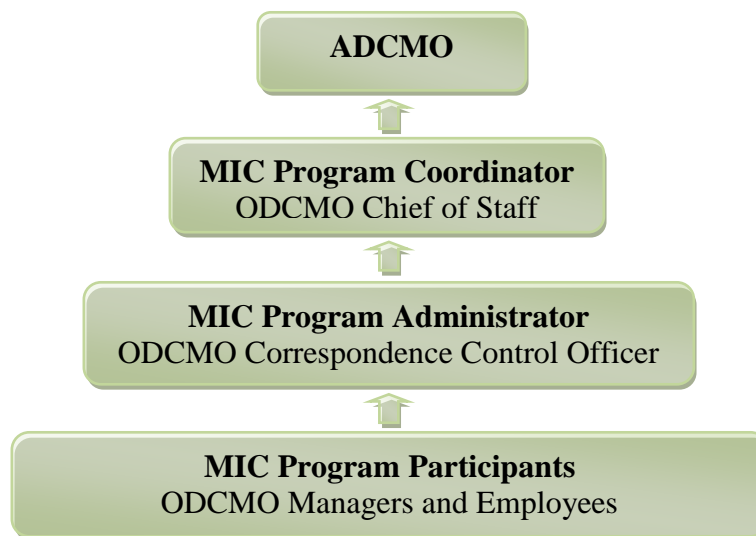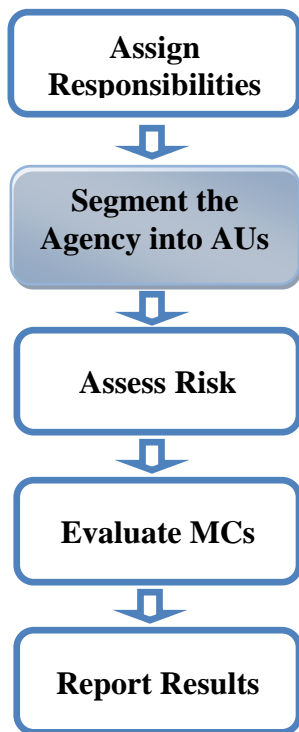
Chapter 2 The Management Control Process

1. Assign Responsibilities

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│       Assign        │
│  Responsibilities   │
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┌─────────────────────┐
│     Segment the     │
│   Agency into AUs   │
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┌─────────────────────┐
│     Assess Risk     │
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┌─────────────────────┐
│     Evaluate MCs    │
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┌─────────────────────┐
│    Report Results   │
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The **structure** of ODCMO's MIC Program **is shown in Figure 1 below.** All designated MIC Program personnel must be appointed in writing (Appendix C), properly trained and rated on their performance.

- The **ADCMO** is at the top of ODCMO's MIC Program structure and bears overall responsibility for the program.

- The **MIC Program Coordinator** is responsible for implementing the requirements of ODCMO's MIC Program and ensuring all managers within ODCMO accomplish their intended objectives.

- Supporting the MIC Program Coordinator is the **ODCMO MIC Program Administrator** who is responsible for administering and coordinating the Program.

- **MIC Program Participants** are required to participate in RA activities (i.e., provide information regarding current processes) as requested by the MIC Program Coordinator and Administrator.

Figure 1: Structure of ODCMO's MIC Program

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            │          ADCMO           │
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        │    MIC Program Coordinator       │
        │     ODCMO Chief of Staff         │
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    │       MIC Program Administrator          │
    │  ODCMO Correspondence Control Officer    │
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│          MIC Program Participants                │
│        ODCMO Managers and Employees              │
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Assign Responsibilities

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Segment the Agency into AUs

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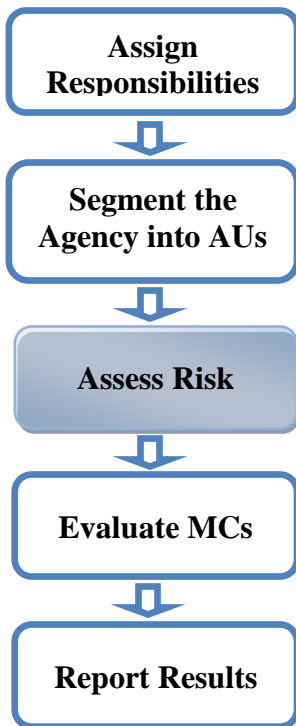**Assess Risk**

⬇

Evaluate MCs

⬇

Report Results

2. Segment the Agency into Assessable Units (AUs)

- AUs are established by segmenting organizations into proper subdivisions suitable for evaluating their MC systems.

- An AU should be identified and reported in sufficient detail to provide assurance that all programs and administrative functions are adequately reviewed, controlled and included in the MIC Program.

- There are two approaches to structuring AUs:

  o **The Organizational approach** involves identifying the AU as an organizational segment. The AU Manager in the organizational segment is responsible for performing the functions associated with the AU and, consequently, must also perform applicable RAs and internal MC Reviews (MCRs) for the AU.

  o **The Functional approach** involves identifying AUs based on functions performed within the organization. An AU Manager is assigned responsibility for performing the RA and MCR for that function.

At this time, responsibility for the majority of MIC Program Reporting Categories (Appendix D) resides in ODCMO's front office. Consequently, for Fiscal Year (FY) 2010, we will treat all of ODCMO as one AU with the ODCMO Chief of Staff serving as the AU Manager (AUM). Subsequent to FY 2010, AUM's will be tasked to manage and document their applicable internal controls.

3. Assess Risk

What is Risk Assessment (RA)?

- The identification and analysis of relevant risks associated with achieving Agency objectives.

- A documented review by management of a component's susceptibility to losses through fraud, waste and mismanagement. Focuses on the potential negative impact to the unit.

> **Establishment of clear, consistent objectives is a precondition to effective RA.**

- The first step toward improving MCs.

- A screening device that facilitates rapid identification of potential problems.

- Identified risks are classified as high, medium or low.

Two Types of Risk:

- **External Risks** relate to forces outside the organization, e.g., individuals attempting to compromise government programs, systems, payment and eligibility processes, either for personal gain or nefarious reasons, legislation or court decisions.

> **The presence of risk _will not_ reflect badly on a manager. Underestimating risks will!**

- **Internal Risks** arise due to acts of an organization's employees (officials or staff). The employees either intentionally or unintentionally fail to adhere to the organization's established policies and procedures and acceptable ethical conduct.

When Should RAs Be Conducted?

- When new AUs are created or existing AUs are reorganized or take on expanded duties.

- After a turnover of key personnel or change in management.

- Management has concern about a control area.

Flowchart (left margin):
- Assign Responsibilities
- Segment the Agency into AUs
- Assess Risk
- Evaluate MCs
- Report Results

Steps to Assessing Risk:

1. Assess the general control environment.

2. Assess inherent risk.

3. Evaluate safeguards.

MCR Principles

- MCRs should **identify control gaps and test the effectiveness of existing MC.**

- A testing of controls is required to **determine if controls are accomplishing desired objectives.**

- **Results must be documented to support conclusions reached**. Documentation must be retained in accordance with retention schedules.

- MCRs are usually **conducted under the direction and oversight of the AUM** and may be performed by in-house or contractor personnel.

- MCs are the **responsibility of all managers**. Compliance with MC mandates requires managers to:

  o Develop and maintain a written description of their controls so the system can be communicated to all personnel.

  o Evaluate their own controls so excessive controls can be eliminated and weak controls can be improved.

Other Requirements

- MCRs will be scheduled so high risk areas are reviewed first, then moderate and then low.

- If an AU is deemed high risk and can be fixed on the spot, then prompt action should be taken to fix the problem or add a control.

- Assessments are based on managers' knowledge of the area or unit and how it functions or operates; related information obtained from management reporting systems; previous RAs; or information obtained from other sources that embody requirements for documentation.

- RAs shall be conducted annually or when major changes occur. When a new or substantially revised program, function or process is designated, a RA should occur as part of that program's function or process implementation.

- RAs will be clearly documented, and the documentation will be readily available. AUMs may use any questionnaires or checklists (Appendix E) that they may be accustomed to, or find helpful in, assisting them to perform RAs.

Summary

The goal of RA is to answer:

- What risks may occur?

- What is the source (i.e., internal or external)?

- What is the cause?

- What are the consequences if risks go uncontrolled?

- What assets, operations, activities or functions will be affected?

- What is likelihood of risk occurring?

- What can the organization afford to lose?

- How much risk can we tolerate?

- What more needs to be done?

Assign Responsibilities
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Segment the Agency into AUs
⬇
Assess Risk
⬇
Evaluate MCs
⬇
Report Results
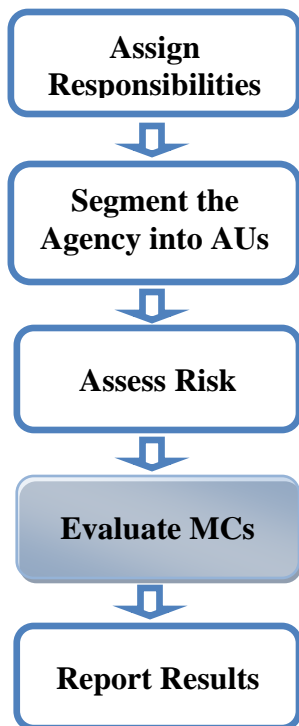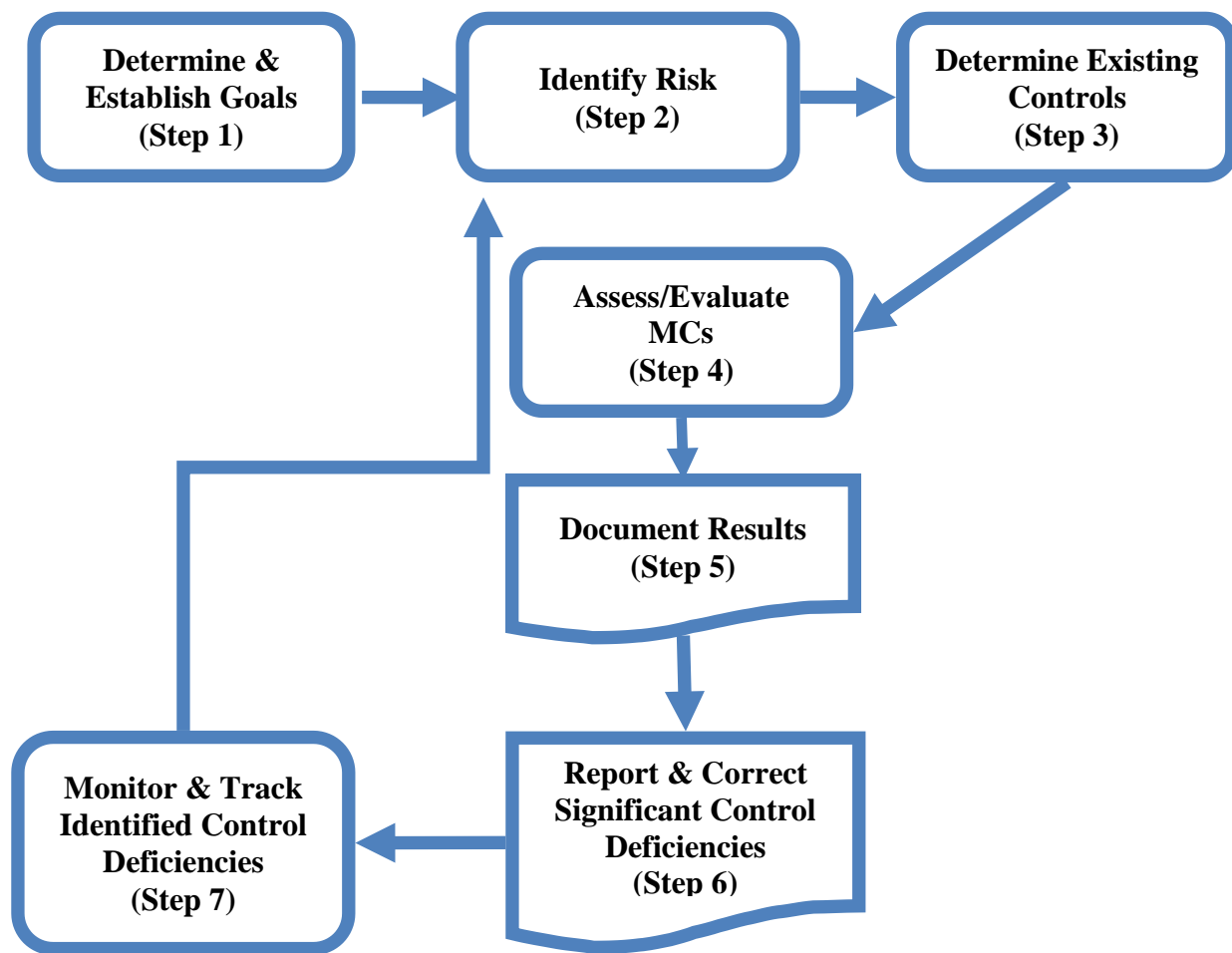
4. Evaluate MCs

Purpose of MCRs:

- Determine if a positive and supportive control climate exists.

- Determine if laws, regulations and other directives such as policies and procedures are being implemented as directed.

- Determine if material weaknesses are indicated.

- Determine if controls exist and whether they are cost effective.

- Determine corrective actions as needed.

Types of MCRs:

- **Alternative Management Control Review (AMCR):** A process used to determine control techniques are operating properly or a process developed for other organizational purposes that provide adequate information regarding the effectiveness of control techniques. This type of process may use computer security reviews; quality assessments and financial system reviews; the Inspector General (IG), GAO or DoD Component audits, inspections or investigations; internal review studies; and management and/or consulting reviews. Such alternative reviews must be documented to describe which controls were tested, describe how the testing process was conducted and determine overall compliance.

- **Internal Management Control Review (IMCR):** A detailed examination performed periodically by AU managers to determine whether existing controls and techniques are adequate and implemented to achieve cost-effective compliance with FMFIA. The IMCR results in a manager's overall assessment, a statement of any weakness(es), and a plan for corrective actions.

- **Management Control Review (MCR):** A detailed examination performed by the MIC Program Administrator of the system of MCs used in an AU. The MCR is used to determine whether adequate control techniques exist and are implemented to achieve cost-effective compliance with FMFIA. The MCR results in the administrator's overall assessment, a statement of any weakness(es), and a plan for corrective actions.

Process for Conducting MCRs:

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┌──────────────────┐      ┌──────────────────┐      ┌──────────────────┐
│   Determine &    │ ───▶ │  Identify Risk   │ ───▶ │ Determine Existing│
│ Establish Goals  │      │    (Step 2)      │      │    Controls      │
│    (Step 1)      │      │                  │      │    (Step 3)      │
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                          │  Assess/Evaluate │
                          │       MCs        │
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                          │ Document Results │
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│ Monitor & Track  │ ◀─── │ Report & Correct │
│ Identified Control│     │Significant Control│
│  Deficiencies    │      │  Deficiencies    │
│    (Step 7)      │      │    (Step 6)      │
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Step 1: Determine and Establish Goals

Control Objectives are designed goals to ensure efficiency, effectiveness and economy of operations. They are positive things we want to have happen. They are specific ends to be achieved by control techniques. Each of the following is to be taken into consideration:

- The nature of the unit.

- Statutory and regulatory restrictions.

- Staff limitations.

Control Techniques are management processes and documents necessary to accomplish a management control objective. These techniques include:

- Audits.

- Periodic physical inventories / reconciliation.

- Adequate training.

- Separation of essential duties.

- Performance standards.

- Proper authorizations and approvals.

- Sufficient support documentation.

- Administrative cost benefit relationship of each control technique.

- Policies and procedures manuals.

> **Four Questions to Ask Yourself**
> - Have complete, logical and applicable control objectives been established?
> - Do existing controls appear excessive?
> - Can other controls reduce risk and/or improve efficiency?
> - Are the controls efficient, effective and economical?

To comply with GAO's specific standards, controls must be:

- Documented and readily available.

- Recorded promptly and classified properly.

- Executed only by those acting within their authority.

- Key duties and responsibilities.

- Adequately supervised.

- Limited to authorized personnel.

Step 2: Identify Risks

Step 3: Determine Existing Controls by comparing written procedures to actual processes used.

Step 4: Assess/Evaluate MCs. For both MCRs and AMCRs, testing controls involve making sure the controls on paper are actually being used as designed and meeting control objectives.

Testing Methods

- **Confirmations** - Obtaining external evidence as to the accuracy of information.

- **Document Analysis** - Reviewing records, completed forms or other documentation for various attributes.

- **Interviews** - Eliciting information from personnel who perform that control and other related personnel. Interviews should be used to supplement document analyses and observations.

> **It is both impractical and unnecessary to test all control techniques. The controls to be tested are those that contribute most to achieving the control objective.**

- **Observations** - Watching the performance of the control activity.

- **Physical examination** - Examining tangible assets to determine existence, type and condition of the assets and serial numbers.

- **Questionnaires** - Sending out questionnaires to elicit information, primarily opinions.

- **Transaction testing** - Processing test data, either actual documentation, or "fake data" through a system to evaluate edit processes.

Are Controls Implemented?

- Even though MCs may be logical and well designed and may seemingly be strong, system effectiveness may be impaired if control procedures are not correctly and consistently used. For example, if an Activity requires managers approve all purchases over $25,000, but the manager does not, in fact, review purchase orders, then this requirement will not be effective or detect unnecessary purchases.

- Control procedures might not be complied with because:

  o Management may override them.

  o Employees may secretly be working together (collusion) to avoid using or circumvent them.

o Employees may not be correctly applying them due to fatigue, boredom, inattention, lack of knowledge or misunderstanding.

Step 5: Document Results of Evaluations

Format for Management Control Review Checklist(s):

1. AU identification.
2. Evaluator Name/signature.
3. Scope of the review.
4. Findings/conclusions.
5. Recommendations.
6. Supporting documentation.
7. MIC Program Coordinator name/signature.

Step 6: Report and Correct Significant Control Deficiencies

Corrective actions must be determined for all deficiencies. They may exist because MCs are:

- Not in place; or
- In place and not being used; or
- In place and being used but are not effective.

Some **possible causes of MC deficiencies** are:

- Executive and middle management turnover.
- Emphasis on achieving program objectives and the sacrifice of efficiency and controls.
- Diversity of operations.
- Complexity of organizational structures.
- Excessive paperwork.
- Lack of training.
- Inadequate audit resources.

Reporting of Control Deficiencies:

- A MC deficiency should be reported if it is, or should be, of interest to the next level of management.

- A deficiency that the Agency head determines to be significant enough shall be considered a "Material Weakness" and reported accordingly.

- **To be considered a Material Weakness the control deficiency <u>must satisfy two conditions</u>**:

  1. It **<u>must be</u> a condition in which MCs, or compliance with them, do not provide reasonable assurance that objectives of the MIC Program are being met**. In effect, the weakness results from MCs that are not in place, not used or inadequate.

     > It is the ADCMO's call whether a weakness is material enough to warrant reporting.

  2. It **<u>must be</u> a condition requiring the attention of the next higher level of management.**

  o Fundamentally, a manager should consider reporting a weakness to the next higher level if the participation of management at a higher level is required to help resolve the problem or, although the problem can be resolved at the lower level, the manager with the control weakness chooses to bring it to the attention of higher level management as a point of information.

  o Monetary value impact generally shall be considered material when the weakness has caused loss of control over a significant amount of resources for which an organization is responsible (including money, personnel, property, equipment, etc.).

  o Agencies may wish to use a different term to describe less significant deficiencies, which are reported only internally. Some Agencies define this type of deficiency to be a "Non-material Weakness," which is described as a deficiency that can be corrected at the division, branch or unit level of the organization.

  o Unresolved findings on MC evaluations (from any source) are candidates for a material weakness at the applicable level until all corrective actions are complete.

  o If, after the above is applied, there is still a question as to materiality of a weakness, the decision should be referred up through the chain-of-command for decision by the ADCMO.

Sources of Weakness:

Weaknesses reportable under the MIC Program can be identified through both internal and external sources. Internal sources include ODCMO studies, reviews, evaluations, RAs, MCRs, and IMCRs conducted as part of the MIC Program. External sources primarily involve audits and inspections conducted by organizations external to ODCMO (e.g., GAO, IG DoD, DLA, etc.). All sources are important in identifying material weaknesses, which must be incorporated into and reported under the MIC Program.

Step 7: Monitoring and Tracking Weaknesses

The MIC Program Administrator must fulfill specific responsibilities in accordance with this handbook to monitor and track the status of MC weaknesses, corresponding corrective actions and validation.

- All weaknesses, whether material or not, must be monitored, tracked and corrected in a timely manner.

- Reporting status of material weaknesses and their correction is one of the critical requirements of the MIC Program. To accomplish this, using input from ODCMO Managers, the MIC Program Administrator must establish and maintain the Control Deficiency Monitoring and Tracking Report shown in Appendix F. The report will:

  o Monitor all corrective actions and ensure completion schedules are adhered to.

  o Ensure reported corrections are tested and validated to confirm controls are operating as intended.

  o Provide material weakness corrective action status information to the MIC Program Coordinator.

  o Judge effectiveness of the MIC Program.

- Once completed, the MIC Program Administrator must verify implemented corrective actions with a corrective action review.

Testing Corrected Weaknesses

If the corrective action requires implementation of a system or process, the responsible Manager and MIC Program Administrator need to test the system or process. Upon verification of the corrective action taken and test results, organizations may report a weakness, material or non-material, as corrected.

Corrective Action Review (CAR):

- The MIC Program Administrator performs CARs. The purpose of the CAR is to verify intended corrective action(s) were fully implemented and producing desired result(s).

- Verification in the form of a CAR must be conducted for every identified weakness.

- The review can occur when all corrective actions are complete or can be a scheduled event during the annual MCR (whether or not corrective actions are complete).

- Whichever method is chosen, documentation must exist and be maintained by the MIC Program Administrator. Documentation can be in any form, however, a formal report similar to the MCR report must be issued when the review involves verification that a material weakness has been corrected. The formal report must be submitted through the chain of command to the MIC Program Coordinator.

- If, during the course of a CAR, it is determined MC weaknesses still exist, or new weaknesses are identified, they must remain on, or be added to ODCMO's deficiency Monitoring and Tracking Report shown at Appendix F.

Chapter 3   Reports

The following information describes the most significant, recurring reports required under the MIC Program. Individual reports may be reviewed, analyzed and consolidated into a single report when necessary. All MIC Program reports submitted to external organizations (e.g., IG, GAO, OMB, DLA, etc.) must be sent through the ODCMO MIC Program Coordinator.

- The following are due to the ADCMO annually on July 1:

    o SOA

    o Status of Corrective Actions Report

    o Listing of managers with significant MIC Program responsibilities and the dates each manager last received formal MIC Program training.

- **SOA**. The MIC Program Administrator prepares the SOA based on current FY program results and any previously identified weaknesses. This document covers all of ODCMO and must be signed by the ADCMO. Once signed, the ODCMO SOA is submitted to the Director of Administration and Management who consolidates our response into an overall Office of the Secretary of Defense (OSD) SOA. The OSD SOA is then submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) as part of the DoD Agency-wide SOA.

- **<u>ODCMO Control Deficiency Monitoring and Tracking Report</u>**. This report identifies the date a weakness was originally identified, the weakness, current status of corrective action, target date for completion and date the weakness was corrected.

    o This report must be updated annually and submitted with the SOA.

    o Include all weaknesses identified during the FY whether or not corrective action has been taken. Verified corrective actions must appear on the Status of Corrective Actions report before the weakness can be dropped from the report.

- **<u>Management Control Review Checklists</u>** (Appendix E) are due upon completion to the MIC Program Administrator.

Appendix A: Definitions

Assessable Unit (AU). Any organizational, functional, programmatic or other applicable subdivision capable of being evaluated by MC assessment procedures. An AU should be a subdivision of an organization that ensures a reasonable level of span of MCs to allow adequate control assessment. AUs usually have specific MCs that are applicable to their responsibilities, as well as other guidance that has broad organizational application. Occasionally, some organizational units (offices) will have the same fundamental MC structure but will be considered individual AUs because of mission function.

Control Objective. A positive, specific aim, goal, condition, or level of control established by an AU manager to provide reasonable assurance that the resources allocated to that activity are safeguarded or protected adequately against fraud, waste, loss due to unauthorized use and/or misappropriation and mismanagement. Control objectives are not absolutes. They are the positive things Agency managers want to have happen or the negative things managers want to prevent from happening. Limiting factors such as budget constraints, statutory and regulatory restrictions, staff limitations and cost benefits of each control technique are to be considered in determining desired control objectives.

Control Technique. Any form of organization, procedure, or document flow relied on to accomplish a control objective and thus safeguard or protect an activity from fraud, waste, loss due to unauthorized use and/or misappropriation, and mismanagement. They are the procedures managers use to accomplish their control objectives and provide reasonable assurance their control objectives are achieved.

Corrective Action Review (CAR). A mini-review of an AU's completed corrected weakness(es). Its purpose is to verify corrective actions were fully implemented and produced desired results.

Fraud. The intentional, wrongful obtaining of money or obtaining some unfair or dishonest advantage or benefit from Government programs. Fraud includes theft, embezzlement, false statements, illegal commissions, kickbacks, conspiracies, obtaining contracts through collusive arrangements and similar illegal activities.

GAO Standards. The *Standards* provide criteria against which ALL control systems must be evaluated.

Inherent Risk. The potential for fraud, waste, loss, unauthorized use or misappropriation due solely to the nature of the program or function, in and of itself.

Management Control (MC). MC is a system of guidance, regulations, procedures, rules or other organizational instructions intended to determine methods to be employed to execute mission or operational actions or objectives, and ensure programs achieve intended results. This

plan of organization, methods and procedures adopted by management provides reasonable assurance that objectives of ODCMO and FMFIA are met. MCs support effectiveness and integrity of every step within a process and provide feedback to management. They are rules, procedures, techniques and devices employed by managers to ensure what should occur in their daily operations does so on a continuing basis.

Management Control (MC) Evaluation. A documented evaluation of an AU's MCs to determine whether adequate control techniques exist and are implemented to achieve cost-effective compliance with OMB Circular A-123 (revised). Following are three types of MC evaluations:

> *Internal Management Control Review (IMCR).* A detailed examination performed periodically by AU managers to determine whether existing controls and techniques are adequate and implemented to achieve cost-effective compliance with FMFIA. The IMCR results in a manager's overall assessment, a statement of any weakness(es), and a plan for corrective actions.

> *Management Control Review (MCR).* A detailed examination performed by the MIC Program Administrator of the system of MCs used in an AU. The MCR is used to determine whether adequate control techniques exist and are implemented to achieve cost-effective compliance with FMFIA. The MCR results in the administrator's overall assessment, a statement of any weakness(es), and a plan for corrective actions.

> *Alternative Management Control Review (AMCR).* A process used to determine control techniques are operating properly or a process developed for other organizational purposes that provide adequate information regarding the effectiveness of control techniques. This type of process may use computer security reviews; quality assessments and financial system reviews; the Inspector General (IG), GAO or DoD Component audits, inspections or investigations; internal review studies; and management and/or consulting reviews. Such alternative reviews must be documented to describe which controls were tested, describe how the testing process was conducted and determine overall compliance.

Management Control Program (MCP). The full scope of management's responsibility as defined by DoD Instruction 5010.40. This responsibility extends from management's development of effective MCs, through their evaluation and correction of deficiencies, to the reporting requirements of this handbook.

Management Control (MC) Standards. GAO standards are the most pertinent yardstick for this factor however, OMB Circular A-123, OMB Circular A-127, OMB Circular A-130 and DoD 7000.14-R, etc. are also important when determining MC standards to be followed.

Management Control (MC) System. The sum of a DoD Component's (including ODCMO) methods and measures used to achieve MC objectives - both the controls and evaluations of

those controls. It is not a separate system, but rather an integral part of the systems used to operate programs and functions.

Managers with Significant MC Responsibilities. Includes top-level managers, down through and including operational managers responsible for programs and activities for which funds, property, and other assets must be safeguarded against fraud, waste or mismanagement; and for which operations and resources must be managed efficiently and effectively.

Material Weakness. Specific instances of non-compliance with FMFIA, which are significant enough to warrant reporting of the control deficiency to the next higher level of management. Such weaknesses significantly impair, or may impair, fulfillment of the Activity's mission or operational objectives; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against fraud, waste, or mismanagement of funds, property or other assets; or result in a conflict of interest.

Reasonable Assurance. An acceptable degree of confidence in the general adequacy of MCs to deter or detect material failures. Determination of reasonable assurance is a management judgment based upon evaluation of all available information that MC systems are operating as intended and comply with FMFIA objectives.

Risk. Probable or potential adverse effects from inadequate MCs that may result in loss of Government resources or cause an Agency to fail to accomplish significant mission objectives through fraud, error, or mismanagement.

Risk Assessment (RA). A documented review of the susceptibility of a program or function to the occurrence of fraud, waste, loss, unauthorized use, misappropriation, or mismanagement. Assessments are based upon the AUM's knowledge of the area or unit and how it functions or operates; its built-in controls; related information obtained from management reporting systems; previous RAs; or information obtained from other sources that embody the requirements for documentation.

Segmentation. Process of subdividing large functions or components into meaningful units and discrete MC areas consistent with the mission and of a reasonable size for evaluation. Note: This process applies to both programmatic and administrative activities.

Testing. Procedures (e.g., observation, examination, verification, sampling and other methods) used to determine whether MC systems are working in accordance with management's control objectives.

Vulnerability. While inherent risks remain constant, management's vulnerability to fraud, waste and mismanagement is increased as MC effectiveness is decreased. Correspondingly, vulnerability is decreased as MC effectiveness is increased.

Waste. Incurring unnecessary costs as a result of inefficient or ineffective practices, systems or controls.

Appendix B: Sample Statement of Assurance

MEMORANDUM FOR DIRECTOR OF ADMINISTRATION AND MANAGEMENT

SUBJECT: Annual Statement Required under the Federal Manages' Financial Integrity Act
(FMFIA)

As the Deputy Chief Management Officer, I recognize that the Office of the Deputy
Chief Management Officer's (ODCMO) management is responsible for establishing and
maintaining effective internal management controls to meet the objectives of FMFIA. I am able
to provide an unqualified statement of reasonable assurance that the ODCMO's internal
management controls meet the objectives of FMFIA overall programs. The internal controls
were operating effectively, and no material weaknesses were found in the design or operation of
the internal controls during the period this statement covers.

TAB A provides additional information on how ODCMO conducted the assessment of
internal management controls for the FMFIA overall nonfinancial operations, which was
conducted according to OMB Circular A-123, "Management's Responsibility for Internal
Control." In addition, TAB A provides a summary of the significant accomplishments and
actions taken to improve ODCMO's internal management controls during the past year.

Your final paragraph should take the format of one of the following three forms:

a. (Unqualified statement) "Taken as a whole, I have reasonable assurance that my
directorate's MCP is in accordance with the intent of the FMFIA and the ODCMO
Management Control Program."

b. (Qualified statement) "Taken as a whole, I have reasonable assurance that...except
for..." (List the exceptions that preclude rendering an unqualified statement.)

c. (Negative statement) "Taken as a whole, I do not have reasonable assurance
that..."

Signature Block

Attachments: (As necessary)
As stated

TAB A
DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE AND HOW THE EVALUATION WAS CONDUCTED

The Office of the Deputy Chief Management Officer (ODCMO) senior management evaluated the system of internal accounting and administrative controls in effect during the fiscal year as of the date of this memorandum, according to the guidance in Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Internal Control," December 21, 2004. OMB guidelines were issued in conjunction with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act of 1982." Included is an evaluation of whether the system of internal accounting and administrative controls for ODCMO is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative controls of ODCMO are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable law;

- Funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and

- Revenues and expenditures applicable to agency operations are property recorded and accounted for to permit preparation of reliable accounting, financial and statistical reports and to maintain accountability over assets.

The evaluation of internal management controls extends to every responsibility and activity undertaken by ODCMO and applies to program, administrative and operational controls. Furthermore, the concept of reasonable assurance recognizes that (1) the cost of internal management controls should not exceed the benefits expected to be derived, and (2) the benefits include reducing risk associated with failing to achieve the stated objectives. Moreover, error or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative controls including those limitations resulting from resource constraints, congressional restrictions and other factors. Finally, projection of any system evaluation to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

ODCMO evaluated the system of internal management controls in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative controls of ODCMO in effect during Fiscal Year 2010 as of the date of this memorandum, taken as a whole complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

Using the following process for conducting the evaluation, ODCMO evaluated its system of internal accounting and administrative controls and maintains sufficient documentation to support its evaluation and level of assurance. Additionally, ODCMO maintains an audit trail of the evaluation process.

1. The progress achieved in institutionalizing internal management controls (i.e., a brief description of how the MIC Program is applied or reviewed for compliance also could be used here if it has already been fully implemented).

2. Any improvements to MIC Program coverage (address expected benefits and related costs of control procedures using estimates and managerial judgment).

3. A description of the problem encountered in implementing the MIC Program.

4. Other considerations (e.g., resource constraints, technological bottlenecks and operational or mission considerations) affecting the MIC Program.

5. Any deviations from the process as outlined in the OMB Circular No. A-123.

6. Any special concerns addressed in reports by the Inspector General of the Department of Defense (IG, DoD) or Component audit, investigation, inspection and/or internal review organizations regarding MIC Program progress, needs and/or problems.

7. Methods, mechanisms or techniques employed in the discovery or execution phases of the program. The following are examples of methods, mechanisms or techniques:

   a. MIC Program weakness tracking system (number of weaknesses and milestones).

   b. Component Inspector General or Audit Service findings.

   c. Reports of reporting entity's internal reviews and inspections.

   d. IG, DoD reports and reviews.

   e. Most significant MIC Program accomplishments achieved during FY 2010.

   f. MIC Program training.

   g. MIC Program performance standards (e.g., such as those found in the GAO Internal Control Management and Evaluation tool, available at Web site address: www.gao.gov/govaud/ybk01.htm).

h. GAO Reports and reviews.

i. Review of OSD Functional Proponent Proposals (e.g., systemic weaknesses).

j. Information Technology initiatives.

k. MIC Program references in directives, regulations and other guidance.

l. Congressional reviews and hearings.

m. Command or other subordinate organization "Certification Statements."

n. Productivity statistics.

o. Defense Regional Interservice Support studies.

p. Management reviews other functional areas (e.g., procurement, communications, intelligence, financial or environmental).

q. Quality Assurance reviews.

r. "Hot line" reports.

s. Evidence that assessments have been conducted by including examples of deficiencies found that do not warrant reporting as material weaknesses and the actions taken or planned to resolve these deficiencies. Whenever possible, provide quantitative accomplishments. Use the following format:

Description of Usage: *(Example)* Reconciliation of Government Purchase Card Accounts.

Accomplishments:
  - *(Example)* By standardizing processes, limiting the number of purchase cardholders and using automated tools, the elapsed time from billing period closing to forwarding the account reconciliation to the Defense Finance and Accounting Service (DFAS) has been reduced from 12 days to 4 days.

TAB B-1
LIST OF ALL UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

(Reporting entities should prepare this section after completing both TAB B-2 and B-3 since TAB B-1 is a summary listing of TABS B-2 and B-3 weakness titles and correction dates. Note: titles must be identical to those found on the material weakness narratives provided in TABS B-2 and B-3.)

Uncorrected Weaknesses Identified During the Period:		
Title	**Quarter (Qtr) and Fiscal Year (FY) Targeted Correction Date**	**Page #**

Uncorrected Weaknesses Identified During Prior Periods:				
		Correction Qtr & FY Date		
Title	**Year First Reported**	**Per Last Annual Statement**	**Per This Annual Statement**	**Page #**

Corrected Weaknesses Identified During All Periods:		
Title	**Year First Reported**	**Page #**

UNCORRECTED MATERIAL WEAKNESS(ES) IDENTIFIED DURING PRIOR PERIODS

Title and Description of Issue:

Functional Category:

Component: ODCMO

Senior Official in Charge:

Pace of Corrective Action:

      Year Identified:

      Original Targeted Correction Date:

      Target Correction Date in Last Year's Report:

      Current Target Date:

Reason for Change in Date:

Validation Indicator:

Results Indicator:

Source(s) Identifying Weakness:

Major Milestones to Include Progress to Date:

- This attachment should provide a narrative for each uncorrected material weakness identified by ODCMO for which corrective actions have NOT been completed, regardless of the year of first reporting.
- Begin each weakness at the top of a new page.
- Create two subsections: those identified during this period and those identified during other periods.
- Narratives should be succinct, void of technical jargon and easy for the general public to interpret.

A. Completed Milestones:	
Date:	**Milestone:**

B. Planned Milestones for Fiscal Year ####:	
Date:	**Milestone:**

C. Planned Milestones Beyond Fiscal Year ####:	
Date:	**Milestone:**

MATERIAL WEAKNESS(ES) CORRECTED THIS PERIOD IDENTIFIED DURING PRIOR PERIODS

Title and Description of Issue:

Functional Category:

Component: ODCMO

Senior Official in Charge:

Pace of Corrective Action:

    Year Identified:

    Original Targeted Correction Date:

    Target Correction Date in Last Year's Report:

    Current Target Date:

Reason for Change in Date:

Validation Indicator:

Results Indicator:

Source(s) Identifying Weakness:

Major Milestones to Include Progress to Date:

- Provide a narrative for each uncorrected material weakness identified by ODCMO for which corrective actions have NOT been completed, regardless of the year of first reporting.
- Begin each weakness at the top of a new page.
- Create two subsections: those identified during this period and those identified during other periods.
- Narratives should be succinct, void of technical jargon and easy for the general public to interpret.
- Since this is a corrective status, all actions must be reflected as "completed" milestones.

A. Completed Milestones:	
Date:	**Milestone:**

Appendix C: Sample Letter of Designation

MEMORANDUM FOR (Delegate's Name)

SUBJECT: Collateral Duty Assignment

Reference: Office of the Deputy Chief Management Officer (ODCMO) Managers' Internal Control (MIC) Program Handbook, dated (insert effective date)

Effective immediately, you are designated as the ODCMO MIC Program (Coordinator/Administrator/AUM). In accordance with requirements in the above reference, you will conduct appropriate vulnerability assessments and internal management control reviews for ODCMO, and report to the ODCMO MIC Program Administrator status of corrective actions for all findings identified. This will provide reasonable assurance that adequate management controls (MCs) are in place and that MC weaknesses are identified and corrected in a timely manner.

As MIC Program (Coordinator/Administrator/AUM), you will ensure all programs/functions within (ODCMO/your AU) operate efficiently and effectively, and will assist in conducting management control reviews for (ODCMO/your AU).

(ADCMO)
(Title)

cc:
ODCMO MIC Program Coordinator

Appendix D: Reporting Categories

The following items represent the DoD mandated 15 MIC Program reporting categories in which all AUs fall into. It is not necessary to classify AUs according to these categories as long as all applicable categories are covered.

(a) <u>Research, Development, Test, and Evaluation</u>. This covers the basic project definition, approval and transition from basic research through development, test and evaluation and all DoD and contractor operations involved in accomplishing the project work, excluding the support functions covered in separate reporting categories such as Procurement and Contract Administration.

(b) <u>Major Systems Acquisition</u>. This covers items designated as major systems and is subject to procedures of the Defense Acquisition Board (DAB), the Military Services acquisition review councils, or the Selected Acquisition Reporting System. DoD Directive 5000.1, may be helpful when evaluating a weakness for inclusion in this category.

(c) <u>Procurement</u>. This covers the decisions to purchase items and services together with certain actions to award and amend contracts (e.g., contractual provisions, type of contract, invitation to bid, independent government cost estimate, technical specifications, evaluation and selection process, pricing and reporting).

(d) <u>Contract Administration</u>. This covers the fulfillment of contractual requirements including performance and delivery, quality control and testing to meet specifications, performance acceptance, billing and payment controls, justification for contractual amendments, and actions to protect the best interests of the government.

(e) <u>Force Readiness</u>. This includes the operational readiness capability of combat and combat support (both Active and Reserve component) forces, based on analyses of the use of resources to attain required combat capability or readiness levels.

(f) <u>Manufacturing, Maintenance and Repair</u>. This covers management and operation of in-house and contractor operated facilities performing maintenance and repair of, and/or installation of modifications to materiel, equipment and supplies. It also includes depot and arsenal-type facilities as well as intermediate and unit levels of military organizations.

(g) <u>Supply Operations</u>. This encompasses supply operations at the wholesale (depot and inventory control point) level from the initial determination of material requirements through receipt, storage, issue reporting and inventory control (excluding the procurement of materials and supplies). It also covers all supply operations at retail (customer) level, including accountability and control for supplies and equipment of all commodities in the supply accounts of all units and organizations (excluding the procurement of material, equipment, and supplies).

(h)   Property Management. This covers construction, rehabilitation, modernization, expansion, improvement, management and control over real and installed property, and facilities (both military and civil works construction). It includes all phases of property life-cycle management from determination of need through disposition. It also covers disposal actions for all materiel, equipment, and supplies.

(i)   Communications and/or Intelligence and/or Security. This covers plans, programs, operations, systems and management activities for accomplishing communications and intelligence missions. It includes safeguarding classified resources, but not peripheral assets and support functions covered by other reporting categories. It also covers DoD programs for protection of classified information.

(j)   Information Technology. This covers design, development, testing, approval, deployment, use, and security of electronic data processing systems, computers, and other technologies for processing management information. It also includes requirements justification for equipment and software.

(k)   Personnel and/or Organization Management. This covers authorizations, recruitment, training, assignment, use, development and management of military and civilian personnel of the DoD. It also includes the operations of Headquarters organizations. Contract personnel are not covered by this category.

(l)   Comptroller and/or Resource Management. This covers the budget process, finance and accounting, cost analysis, productivity and management improvement and general allocation and continuing evaluation of available resources to accomplish mission objectives. It also includes pay and allowances for all DoD personnel and all financial management areas not covered by other reporting categories.

(m) Support Services. This includes all support services functions financed from appropriated funds not covered by the other reporting categories, such as health care, veterinary care, and legal and public affairs services. All nonappropriated fund activities are also covered by this category.

(n)   Security Assistance. This covers management of DoD Foreign Military Sales, Grant Aid, and International Military Education and Training Programs.

(o)   Other (Primarily Transportation). This includes all functional responsibilities not contained in the previously noted categories, including management and use of land, sea and air transportation for movement of personnel, material, supplies and equipment using both military and civilian sources.

Appendix E: MIC Program Checklists

Program Area	Page Number	Subject Matter Expert(s)
Major Systems Acquisition	E-2	Bob Jennings
Contract Management	E-4	Michelle McAtee Janet Carlson
Government Purchasing Card	E-6	Col. Yarberry Vincent Allen
Time and Attendance	E-9	Vincent Allen
Travel	E-12	Vincent Allen Jason Haugen
Component Security	E-14	Chris Forshey
Performance Management	E-17	Michelle McAtee

MAJOR SYSTEMS ACQUISITION			
Assessable Unit: Office of the Deputy Chief Management Officer			
Evaluator(s):			
Date of Evaluation:			
References: a. DoDD 5000.01, The Defense Acquisition System, May 23, 2003 b. DoDI 5000.02, Operation of the Defense Acquisition System, May 12, 2003 c. Section 2306c of Title 10, United States Code d. Office of Management and Budget (OMB) Circular A-11 e. Federal Acquisition Regulation (FAR), current edition f. Defense FAR Supplement, current edition			
Testable Questions	**YES**	**NO**	**NA**
MDA Responsibilities (DoDD 5000.01)			
Flexibility - MDAs tailors program strategies and oversight, including documentation of program information, acquisition phases, the timing and scope of decision reviews, and decision levels, to fit the particular conditions of that program, consistent with applicable laws and regulations and the time-sensitivity of the capability need.			
Innovation - MDA examines and, as appropriate, adopts innovative practices that reduce cycle time and cost and encourage teamwork.			
Streamlined and Effective Management - The MDA: • Provides a single individual with sufficient authority to accomplish MDA-approved program objectives for development, production and sustainment. • Ensures accountability and maximizes credibility in cost, schedule and performance reporting.			
Collaboration – In conjunction with the Program Manager (PM), the MDA is responsible for making decisions and leading execution of their programs and are accountable for results.			
Cost and Affordability – To the greatest extent possible, the MDA identifies the total costs of ownership, and at a minimum, the major drivers of total ownership costs.			
Streamlined Organizations – There are no more than two levels of review between a PM and the MDA.			
Clinger-Cohen Act Compliance (CCA) – The MDA does not initiate a program, or an increment of a program, or approve entry into any phase of the acquisition process until the sponsoring DoD Component or PM has satisfied the requirements of Title 40/CCA and, for MAIS programs, DoD CIO confirms said compliance.			
Time-Certain Acquisition of an Information Technology (IT) Business System – The MDA determines IT systems will achieve Initial Operational Capability within five years before providing Milestone A approval.			

Defense Business Systems Management Committee (DBSMC) <u>Certification Approval</u> – The MDA does not grant any milestone or full-rate production approval or their equivalent, and the authority to obligate funding shall not be granted until receiving certification approval from the DBSMC.			
Acquisition of Services Senior Official (SO) Responsibilities (DoDI 5000.02)			
Establish life-cycle management structures to ensure effective implementation of the policies in DoDI 5000.02.			
Designates Decision Authority(ies) (DA) to review/approve acquisitions for services.			
Collaborates with other SOs to determine key categories of services for the Department and dedicate full-time managers to coordinate procurement of these services.			
Conducts periodic spend analyses.			
SO or designated DA conducts an annual review/assessment of organization's acquisition policies and progress toward achieving its purpose.			
Remarks (Include any information resulting from external audits and inspections):			

Evaluator(s) Signature	Date

MIC Program Coordinator Signature	Date
(*Name*)	

E-3

CONTRACT MANAGEMENT CHECKLIST			
Assessable Unit: Office of the Deputy Chief Management Officer			
Evaluator(s):			
Date of Evaluation:			
References: a. DoDI 5000.02, Operation of the Defense Acquisition System, 12 May 2003 b. Section 2306c of Title 10, United States Code c. Office of Management and Budget (OMB) Circular A-11 d. DoDI 1100.22, "Guidance for Determining Workforce Mix," September 7, 2006 c. Federal Acquisition Regulation (FAR), current edition e. Defense FAR Supplement, current edition			
Testable Questions	**YES**	**NO**	**NA**
Acquisition of Services Planning (DoDI 5000.02)			
• Requirements Development & Management			
o Source of the requirement			
o Outcomes to be achieved			
o Metrics to measure outcomes (if performance-based)			
o Benefits analysis completed (bundled requirements)			
• Acquisition Planning			
o Adequacy of the acquisition approach including appropriate milestones			
o Cost/price estimate for the total planned acquisition.			
o Funding (type and availability)			
o Technical, business, management and other significant considerations, including the requirement for competition			
o Opportunities for strategic sourcing			
o Period of performance for the base year and all option years			
o Demonstrated implementation of performance-based acquisition methods or rationale for not using those methods			
o Source selection process planning			
o Any required waivers or deviations			
o Why/if full and open competition procedures will/do not apply, actions taken to improve the competitive environment for the current requirement, and plans to improve competition for foreseeable follow-on acquisitions			

o Head of the Agency (with manpower officials), conducts an analysis using the criteria in DoDI 1100.22, "Guidance for Determining Workforce Mix," September 7, 2006, to ensure contractors do not perform inherently governmental functions or services that are exempt from contract performance			
• Solicitation & Contract Award			
o Type and duration of business arrangement			
o Pricing arrangements (based on guidance in FAR Part 16)			
• Risk Management – Conduct an assessment of current and potential technical, cost, schedule and performance risks and the plan for mitigating or retire those risks			
• Contract Tracking & Oversight - The existing or planned management approach following contract award, quality assurance surveillance or written oversight plans and responsibilities, and tracking procedures or processes used to monitor contract performance			
• Performance Evaluation - The plan for evaluating whether the metrics (thresholds for cost, schedule, and performance) and any other measures identified to guide the acquisition have been achieved			

General:

Is the required ethics training presented at least annually for personnel who do business with contractors?			
Are funds requested, approved, and executed at least 30 days prior to the desired award date.			

Remarks (Include any information resulting from external audits and inspections):

Contracting Officer(s) Signature	Date

MIC Program Coordinator Signature	Date
(*Name*)	

GOVERNMENT PURCHASE CARD CHECKLIST			
Assessable Unit: Office of the Deputy Chief Management Officer			
Evaluator(s):			
Date of Evaluation:			
References: a. OSD/WHS SOP dated June 17, 2004, "OSD/WHS Standing Operating Procedure (SOP) for the Government Wide- Commercial Purchase Card" b. Administrative Instruction (AI) 105, October 19, 2006 c. DoD Government Charge Card Guidebook, Current Edition d. AI 94, October 19, 2007			
Testable Questions	**YES**	**NO**	**NA**
Responsibilities:			
Head of Agency:			

• Appoint, in writing, qualified personnel to manage card programs. To include: Local Agency/Organization Program Coordinator (A/OPC), Approving Officials and Cardholders (CH).
    o A/OPC cannot also serve as an Approving Official or a CH.
    o An individual may not be the Approving Official for his/her supervisor.
    o Whenever possible, the Approving Official shall be the CH's first line supervisor. At a minimum, the Approving Official must be in the CH's chain-of-command or have input into their performance appraisal.
    o A CH may not be his/her own Approving Official.			

• Ensure proper separation of duties among personnel.			
• Ensures sound management controls of the purchase card program are in effect and performance standards include purchase card responsibilities.			
• Review performance measures and reports.			
• Ensures CH's performance plan include a critical element on appropriate use and management of the purchase card.			
Approving Official:			
• Reviews the Cardholder's Monthly Statement of Account to ensure purchases are made in accordance with FARS/DFARS within two days of receipt.			
• Certify the issuing bank's invoices by signing the reverse side of under the first signature areas as the "Purchasing Card Certifying Officer" and submit to ensure timely payment.			

• Maintain documentation supporting certification and payment of the applicable invoice for six years and 3 months.			
• Complete initial and refresher training in accordance with DoD requirements.			
• Conduct informal compliance reviews.			
• Maintain documentation showing the organization's annual limitation is tracked, including the original annual budget limitation and subtractions of CH's monthly expenditures.			
Cardholder:			
• Does not allow anyone to use his/her card or account number.			
• Keeps the card locked in a secure place, but not on his/her person, to which only the CH has access.			
• Ensures all purchases are proper, legal, and reasonable and satisfy a bona fide need.			
• When making purchases by telephone or the Internet, the transaction must be documented in the transaction log along with the shipping documents associated with the transaction.			
• Maintains CH Statement of Account, original supporting documentation and copies of Transaction Detail Report for three years.			
• Reviews and reconciles all transactions on the Cardholder Statement of Account with the transaction log and supporting documentation within three working days of receipt.			
• Disputes questionable transactions within 60 days of receipt of the CH Statement of Account and tracks to completion.			
• Complete initial and refresher training in accordance with DoD requirements.			
• Use the issuing bank's electronic access system (EAS) or other approved EAS to monitor activity			
• Maintain purchase logs that include, at a minimum, name of the requestor for item purchased, description of the item, purchase cost, quantity, date purchased and date received.			
Ghost Shoppers:			
• Ghost Shoppers must sign an Acknowledgement of Responsibilities which includes their spending limit for each purchase.			

• Are Ghost Shoppers given access to the purchase card?			
• Ghost Shoppers deliver all receipts to the CH for review and retention within one business day of purchase?			
Accountable Property[2]:			
• AO ensures that all applicable property regulations are being followed in accordance with AI 94.			
• CH is not the receiver or the property book custodian.			

Remarks (Include any information resulting from external audits and inspections):

Evaluator(s) Signature	Date

MIC Program Coordinator Signature	Date
(*Name*)	

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[2] Accountable Property: Property of any kind that retains its original identity and characteristics, has a useful life of more than one year, and an acquisition cost of $500 or more. Includes P1 furniture and all serialized equipment such as calculators, typewriters and copiers.

TIME AND ATTENDANCE CHECKLIST			
Assessable Unit: Office of the Deputy Chief Management Officer			
Evaluator(s):			
Date of Evaluation:			
References: a. DoD 7000.14R, Department of Defense, Financial Management Regulation b. Administrative Instruction No. 67, Leave Administration, December 27, 1988 d. Army Regulation 600-8-10, February 15, 2006 e. NAVPERS 15560 f. AFI 36-3003 g. MCO 1050.3J			
Testable Items	**YES**	**NO**	**NA**
Head of Component Responsibilities (AI 67)			
Ensures leave is administered in accordance with AI 67.			
Establishes appropriate internal administrative procedures for requesting and approving leave and specifying the supervisory prerogatives regarding the approval of leave.			
Establishes internal leave policies within the framework of AI 67.			
Ensures employees are permitted to use all current accrued annual leave that would be forfeited at the end of the leave year.			
Certifier/Approving Official Responsibilities (DoD 7000.14R)			
Review and approval shall be made by the official, normally the immediate supervisor, most knowledgeable of the time worked and absence of the employees involved. The approving official may assign responsibility for observing daily attendance or accurately recording time and attendance data to a timekeeper			
The supervisor shall inform the Approving Official when an employee is on any type of leave, or has worked any type of premium work.			
Supervisors ensure exceptions to the employee's normal tour of duty are recorded in a timely and accurate manner.			
An alternate timekeeper is appointed to maintain time and attendance during the absence of the primary timekeeper.			
Timekeeper Responsibilities (DoD 7000.14R)			
Timely and accurate recording of all exceptions to the employee's normal tour of duty.			
Ensure employees have attested to the accuracy of their current pay period's time and attendance (including any exceptions such as use of leave) and any adjustments or corrections that are required after time and attendance is approved.			
Ensure all entries for overtime and compensatory time earned have been approved, and totals are correct before certification.			

Immediate Supervisor Responsibilities (AI 67)			
Approve or disapprove employee requests for leave.			
Inform employees of the procedure for requesting and using leave.			
Ensure absences from duty are charged to leave in accordance with this AI 67.			
Establish leave schedules to ensure all employees are given an opportunity to take full advantage of all earned leave.			
Employee Responsibility (AI 67): Obtain approval from their immediate supervisors in advance for any annual leave, leave without pay (LWOP), or sick leave for medical, dental, or optical examinations or treatment, except in cases of an emergency or illness when the absence could not be planned, or approved, in advance. In those circumstances, supervisors shall be informed of the reason for the absence, expediently, normally within 2 hours of the beginning of the workday.			
General			
Procedural guidance is clear and adequate to ensure that timekeeping and time and attendance certification are correctly performed.			
Certification ordinarily shall not be made earlier than the last workday of a pay period.			
A leave request (e.g., SF 71, e-mail) shall be submitted in advance, approved, and furnished to the time and attendance clerk, or the employee shall initial the Time and Attendance Form.			
Time and attendance reports and other supporting documents to be kept available for audit, or for six years, whichever occurs first.			
Exigencies of the Public Business shall be kept to an extreme minimum. Supervisors shall schedule leave well in advance to prevent situations in which an employee must forfeit annual leave through no fault of his or her own.			
Military leaves are reported or processed as required by service regulations.			
Remarks (Include any information resulting from external audits and inspections):			

Evaluator(s) Signature	Date

MIC Program Coordinator Signature	Date
(*Name*)	

TRAVEL CHECKLIST			
Assessable Unit: Office of the Deputy Chief Management Officer			
Evaluator(s):			
Date of Evaluation:			
References: a. Joint Travel Regulation, Volume 2 b. DoDD 4500.56 c. DoDD 4515.14, Washington Local Commuting Area			
TESTABLE ITEMS	**YES**	**NO**	**NA**
Authorizing/Order-Issuing Official (AO) Responsibilities			
Use the cost estimate on the Trip Record to determine if the travel budget can support the travel.			
Assure traveler has access to a Government Travel Charge Card (the unit's or a Centrally Billed Account) if the traveler does not have a GTCC IBA			
Authorizes the TDY, arrangements, determines fund site, and obligates funds to pay for the trip, to include the payment of a travel advance or scheduled partial payment if included. The resulting document is the Trip Record.			
Approve the expenses on the Trip Record, and review required receipts, before the traveler is reimbursed.			
Traveler Responsibilities:			
Must produce receipts for lodging and individual official travel expenses of $75 or more.			
Complete and submit the Trip Record expense report portion within 5 working days after returning from the trip. The receipts (lodging, and individual expenses of $75 or more) must be attached to the expense report.			
General:			
Ensure travel is the most expeditious and economic means of transportation.			
Procedures are in place to follow-up on unliquidated travel obligations/travel vouchers.			
The necessity for official TDY travel is verified to ensure it is mission essential and planned in the most cost effective manner.			
Travel arrangements are made through local commercial travel office (i.e. Carlson Wagonlit Travel) or via DTS?			
The use of rental cars is minimized whenever possible and the most economical size is used.			
Travelers obtain required Anti-Terrorism/Force Protection Travel Training/briefing when they have foreign travel.			

Remarks (Include any information resulting from external audits and inspections):	
Evaluator(s) Signature	Date

MIC Program Coordinator Signature	Date
(*Name*)	

COMPONENT SECURITY CHECKLIST			
Assessable Unit: Office of the Deputy Chief Management Officer			
Evaluator(s):			
Date of Evaluation:			
References: a. DoD 5200.1-R, Information Security Program, January 1997 b. Administrative Instruction (AI) 26, Information Security Supplement to DoD 5200.1-R			
TESTABLE ITEMS	**YES**	**NO**	**NA**
Head of Component:			
Appoint a Senior Agency Official (SAO) to be responsible for direction and administration of the program within the Component.			
Commit necessary resources to the effective implementation of the Information Security Program.			
Establish procedures to ensure the head of each activity within the Component that creates, handles or stores classified information appoints an official to serve as security manager for the activity, to provide proper management and oversight of the activity's Information Security Program.			
Establish systems for promptly responding to requests for mandatory declassification review.			
Establish procedures for handling challenges to classification received from within and from outside their Components			
Designate appropriate officials to determine, before the release of classified information, the propriety of such action in the interest of national security and assurance of the recipient's trustworthiness and need-to-know.			
Establish procedures to accommodate visits to their Component facilities involving access to, or disclosure of, classified information. As a minimum, these procedures will include verification of the identity, personnel security clearance, access (if appropriate), and need-to-know for all visitors.			
Establish a system of security checks at the close of each working day to ensure the area is secure.			
Establish specific requirements for protection of classified information at Component conferences, seminars, exhibits, symposia, conventions, training courses, or other such gatherings during which classified information is disseminated.			
Prescribe requirements for protection of this information, with particular attention to ensuring proper enforcement of controls on release of U.S. classified information to foreign entities.			
Establish procedures concerning repair and maintenance of classified material security containers and vaults.			

Establish and enforce procedures for reproduction of classified material that limit reproduction to that which is mission-essential and ensure appropriate countermeasures are taken to negate or minimize risk.			
Ensure management/retention of classified material is included in oversight and evaluation of program effectiveness.			
Establish procedures for transmission and transportation of classified information and information-bearing material minimizing risk of compromise while permitting use of the most cost-effective transmission or transportation means.			
Establish procedures to ensure hand carrying of classified material is minimized and does not pose unacceptable risk to the information.			
Ensure personnel of their organization receive security education and training.			
Ensure security education programs are appropriately evaluated during self-inspections and other oversight activities and require maintenance of records of programs offered and employee participation necessary to permit effective oversight.			
Establish procedures to ensure prompt and appropriate management action is taken in case of compromise of classified information, improper classification of information, violation of the provisions of this Regulation, and incidents that may put classified information at risk of compromise.			
SAO:			
Promulgate (or cause to be promulgated) implementing directives as necessary for program implementation.			
Establish and maintain a security education program as required by Chapter 9 of Reference a.			
Establish and maintain an ongoing self-inspection program, to include periodic review and assessment of the Component's classified products based on program needs and the degree of involvement with classified information.			
Establish procedures to prevent unauthorized access to classified Information in accordance with Reference c.			
Develop special contingency plans, as necessary, for the safeguarding of classified information used in or near hostile or potentially hostile areas.			
Account for the costs associated with the implementation of this Regulation within the Component and report those costs as required.			
Ensure prompt and appropriate response to any request, appeal, challenge, complaint, or suggestion arising out of the implementation of this Regulation within the Component.			
Promptly notify the ASD(NII), through appropriate channels, if a violation occurs.			

Remarks (Include any information resulting from external audits and inspections):	
Evaluator(s) Signature	Date

MIC Program Coordinator Signature	Date
(*Name*)	

PERFORMANCE MANAGEMENT			
Assessable Unit: Office of the Deputy Chief Management Officer			
Evaluator(s):			
Date of Evaluation:			
References: a. Administrative Instruction (AI) 29, Incentive Honorary Award Program b. AI 63, Performance Appraisal Program			
TESTABLE ITEMS	**YES**	**NO**	**NA**
Head of Component (Awards):			
Ensures program or operational areas, where superior accomplishments may warrant award consideration, are identified through normal management review and control processes.			
Encourages supervisors to identify employees or groups of employees deserving award consideration and request that award recommendations be submitted expeditiously.			
Ensures nominations requiring Incentive Awards Board action are received by WHS not later than the first Wednesday of each month, for consideration by the Board at that month's meeting.			
Ensures expenditures on superior accomplishment, special act or service, and supervisor's cash awards do not exceed the awards budget allocation.			
Recommend in writing to the Director, WHS approval of a monetary award that would cause the gross cumulative dollar amount of monetary recognition to the employee to exceed $5,000 in a fiscal year. Authority to recommend such approval may not be delegated.			
Recommend, within the awards budget allocation, to the Incentive Awards Board for review and approval, incentive awards nominations that would grant more than $5,000 (gross) and less than $10,000 (gross) to an employee.			
Recommend, within the awards budget allocation, to the Incentive Awards Board for review and approval, incentive awards nominations for SES members.			
Approve/disapproves time-off awards.			
Heads of Component (Appraisals)			
Approves all ratings and any monetary recognition for Schedule C appointees. *This authority may not be delegated.*			
Reports to the Director for Personnel and Security, WHS, the number and percentage of quality step increases and performance awards approved for respective career and Schedule C employees as soon as possible, but no later than 90 days, after the end of each appraisal period.			

Higher-level Reviewer (Appraisals)			
Resolves any disagreements between subordinates and rating officials on the establishment of employee performance plans and recommended ratings and performance-based recognition.			
Reviews and act on recommended performance ratings with monetary recognition in a timely manner, ensuring accuracy and conformance with regulation, policy, and provisions of this Instruction.			
Ensures monetary recognition does not exceed available allocated funds.			
Review and decide on requests for reconsideration of approved ratings.			
Ensure that subordinate rating officials complete performance plans and ratings timely.			
Review employee performance plans and ratings prepared by rating officials to ensure consistency and equity throughout and across subordinate organizations.			
Approve performance plans and ratings prepared by subordinate rating officials, giving fair consideration to any employee self-evaluation			
Forwards recommended ratings for Schedule C employees to the Head of the OSD Component for approval.			
Reviews requests for reconsideration of a denied within-grade increase and advises the employee of the determination and appeal right (as applicable).			
Rating Officials (Appraisals)			
Communicates organizational goals, objectives, and priorities to employees.			
Encourages employee participation in establishing and revising (as necessary) performance plans.			
Discusses performance plans with employees and provide a written copy of the plan at the beginning of each appraisal period (or no later than 30 days after the beginning of each appraisal period or assignment of an employee to a position) and when plans are revised during the appraisal period.			
Reviews and evaluate performance, comparing results achieved with performance plans.			
Conducts one or more progress reviews with the employee during each appraisal period, in addition to providing regular, candid feedback on the quality of employee performance during the appraisal period.			
Prepares performance ratings and any performance-based recognition			

recommendations in a timely manner, giving consideration to any special ratings, employee self evaluations, etc.			
Discusses approved ratings with employees.			
Uses the results of performance appraisal as a basis for appropriate personnel actions.			
Employees (Appraisals)			
Provide input to the performance plan.			
Take responsibility to continuously improve performance, support team endeavors, develop professionally, and perform at their full potential.			
Ask the rating official for clarification of the performance plan, should they have questions concerning performance expectations.			
Propose to rating officials changes in the performance plan during the appraisal period, as needed.			
Identify work problems and cooperate with rating officials to resolve them.			
Complete training and development assignments to meet current or future job performance needs			
Provide a self-evaluation of performance during the appraisal period to the rating official within seven days of the end of the appraisal period, if they wish.			

Remarks (Include any information resulting from external audits and inspections):

Evaluator(s) Signature	Date

MIC Program Coordinator Signature	Date
(*Name*)	

Appendix F: Sample Monitoring and Tracking Report

Office of the Deputy Chief Management Officer

MIC Program - Control Deficiency
Monitoring Tracking

Title & Description of Issue	Functional Category	Senior Official in Charge	Year Identified	Original Correction Date	Actual Correction Date	Reason for Difference in Correction Date	Validation Indicator	Results Indicator	Source Identifying Issue	Completed Milestone(s) FY 2010	Completion Date(s)	Planned Milestone(s) FY 2010	Date(s) Completed	Future Milestones	FY	Estimated Completion Date